

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PM-07 H-03 L-03 PA-04 PRS-01 USIA-15

DRC-01 /162 W

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R 050320Z APR 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1674

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

CINCPAC

C O N F I D E N T I A L JAKARTA 4233

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: EAID, ID

SUBJ: MALIK'S REACTION TO PROPOSED AID REDUCTION

REFS: A. JAKARTA 4071 B) JAKARTA 4127

1. SUMMARY. DURING MEETING WITH MALIK APRIL 4, I REPEATED POINTS I HAD EARLIER MADE TO SUHARTO AND WIDJOJO ON REDUCTION IN U.S. AID OUTLINED IN REF A AND GAVE HIM PAPER SUMMARIZING MY REMARKS. MALIK SAID U.S. AID STILL BADLY NEEDED FOR GOI'S SECOND FIVE YEAR PLAN, AND SUGGESTED THAT INDONESIA'S CURRENT AFFLUENCE ONLY TEMPORARY. HE EXPRESSED HOPE U.S. CAN FIND OTHER WAYS TO "COMPENSATE" FOR AID CUTS. END SUMMARY.

2. I MENTIONED THAT PRESIDENT SUHARTO HAD TOLD ME AT
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OUR MEETING APRIL 3 THAT HE FELT HE HAD COMMITMENT TO
THE INDONESIAN PEOPLE TO CONTINUE TO SEEK IGGI ASSISTANCE

AT PREVIOUS LEVELS, AND ASKED ME IF U.S. COULD FIND OTHER WAYS TO MAINTAIN ASSISTANCE AT PREVIOUS LEVEL (REF B). I NOTED IGGI ASSISTANCE FIGURES EXCLUDE CERTAIN KINDS OF ASSISTANCE SUCH AS GRANT AID, WHICH COULD BE COUNTED AS A PORTION OF OUR TOTAL CONTRIBUTION, AND THAT WE INVESTIGATING POSSIBILITY OF LONGER TERM EXIM CREDITS AS AN ALTERNATIVE FORM OF ASSISTANCE, ALTHOUGH WE HAVE NOT YET HAD REACTION FROM EXIM AND IT HAS NOT YET MADE ANY NEW COMMITMENTS. I ADDED THAT SUHARTO HAS SAID GOI WOULD BE WILLING TO CONSIDER HARDER TERM CREDITS AS U.S. ASSISTANCE IN IGGI CONTEXT.

3. MALIK REPLIED THAT, OF COURSE, GOI DOES NOT WISH TO BE PERMANENTLY DEPENDENT ON IGGI, BUT THAT SECOND FIVE YEAR PLAN IS BASED ON EXPECTATION OF CONTINUED IGGI AID. TOO MUCH OF A REDUCTION IN FOREIGN ASSISTANCE MIGHT UPSET THESE PLANS, HE SAID, OBSERVING THAT SECOND FIVE YEAR PLAN DEVELOPMENT GOALS WILL BE MUCH MORE DIFFICULT TO ACHIEVE THAN STABILIZATION OBJECTIVES OF FIRST FIVE YEAR PLAN. HE ASKED REPEATEDLY IF WE COULD NOT GIVE "COMPENSATION" WITH SOME OTHER FORM OF AID, NOTING THAT HE WAS NOT CERTAIN INDONESIA WOULD BE ABLE TO FILL GAP WITH ITS OWN RESOURCES. "ANY KIND OF COMPENSATION WILL DO," HE SAID.

4. IN RESPONSE TO MY COMMENT THAT INDONESIA'S OWN RESOURCES WERE NOW MUCH LARGER, AND THAT ITS EXPECTED BALANCE OF PAYMENTS SURPLUS IN 1974/75 EXCEEDS THE TOTAL OF ALL U.S. ECONOMIC AID, MALIK SAID OIL WEALTH WILL NOT LAST FOREVER. I OBSERVED THAT THE U.S. ACKNOWLEDGES THAT INDONESIA'S CURRENT FAVORABLE FINANCIAL SITUATION COULD BE ONLY TEMPORARY AND THAT THERE COULD BE REASONS FOR RECONSIDERING AID LEVELS IN FUTURE. MALIK SAID THIS WAS REASSURING.

5. MALIK EXPRESSED FEAR THAT IF U.S., AS LEADING MEMBER OF IGGI, REDUCED AID, OTHER MEMBER NATIONS WOULD FOLLOW SUIT. I SAID WE HAD NO INFORMATION THAT OTHER MEMBERS WERE CONTEMPLATING SIMILAR CUTS, BUT ACKNOWLEDGED THAT
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WE HAVE NOT YET INFORMED THEM OF OUR INTENTIONS. HE SAID HE HAD HEARD OTHER MEMBERS WERE CONSIDERING REDUCTIONS.

6. I TOLD MALIK THAT ANTICIPATED CUTS IN ECONOMIC ASSISTANCE WILL NOT AFFECT MAP AND THAT WE CONTINUE TO HOPE FOR BETWEEN 18 AND 19 MILLION IN 74/75 MAP ASSISTANCE, ALTHOUGH AMOUNT COULD BE AFFECTED BY EMERGENCY IN CAMBODIA. MALIK SEEMED REASSURED BY THIS BUT NOTED THAT INDONESIAN MILITARY FEELS "PSYCHOLOGICALLY" THAT IT NOW DESERVES MORE, NOT LESS, MILITARY ASSISTANCE BECAUSE OF

ITS ROLE IN ICCS AND MIDDLE EAST.

7. MALIK THANKED ME FOR SPEAKING FRANKLY ABOUT U.S.
ASSISTANCE AND SAID HE HOPED WE WOULD CONTINUE TO DO SO.
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